



occupational profile of the state's minority groups must begin to change dramatically. AOR cites two principal strategies, one long-term and one short-term, to enable the emerging workforce to fulfill more successfully the skill expectations of tomorrow's economy. The long-term strategy involves significant reforms in California's educational system, to ensure that all Californians receive a comprehensive and academically sound education from preschool through post-secondary levels. The short-term strategy designed to prevent the potential mismatch between the skills of the future workforce and tomorrow's job requirements is effective employment and training programs, which become substitutes for educational failures and provide retraining for existing workers.

Regarding this short-term strategy, over \$2.9 billion (nearly \$2 billion in state funds and \$946 million in federal funds) has been proposed to fund 22 employment and training programs servicing six million clients during fiscal year 1990-91. These programs are administered by twelve state agencies—ten of which are within the Governor's jurisdiction, one under the jurisdiction of the state Department of Education, and one under the jurisdiction of the California Community Colleges.

According to AOR, California has a variety of complex employment and training programs which essentially overlap in function and target population. As a result, AOR recommends that an Assembly Select Committee (or a subcommittee of a current standing committee) on Job Training be formed to explore a variety of approaches to enable California's employment and training programs to deliver systematically the type of educational, employment, and supportive services needed to match the skills of the non-traditional workforce with the demands of the labor market needs.

AOR also recommends that California create a state Department of Employment and Job Training, which would develop an employment and job training voucher system to enable eligible individuals to have direct control over their career development plans, and create a comprehensive labor market needs data base reflecting local, regional, and statewide workforce demands.

AOR further suggests that the state create an apprenticeship training model which will provide opportunities for clients to obtain technical skills and gainful employment by combining elements of vocational education with apprenticeships.

Finally, AOR recommends that the state eliminate impediments which discourage access to employment and job training, by providing adequate supportive services (such as child care, transportation, mental health, and other social services); exploring various tax credit and tax exemption policies to encourage more involvement of private sector industry in employment and job training programs; and by creating an enhanced applied technology education model to link middle and secondary schools with community college and university programs, so that sequences of courses can be offered in applied math, science, and other appropriate subjects that lead students to greater technical proficiencies.

SENATE OFFICE OF RESEARCH

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Established and directed by the Senate Committee on Rules, the Senate Office of Research (SOR) serves as the bipartisan, strategic research and planning unit for the Senate. SOR produces major policy reports, issue briefs, background information on legislation and, occasionally, sponsors symposia and conferences.

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MAJOR PROJECTS:

The Drug Crisis: Treatment, Prevention, Law Enforcement (June 1990) reviews the problem of drug use in California and various options for addressing the problem, such as treatment, prevention, and law enforcement; examines then-pending drug-related legislation; and suggests a comprehensive legislative approach to address the problem more effectively.

The introduction, which notes that a March 1989 California poll cited "illegal drug use" as the number one concern of Californians, focuses on the magnitude of alcohol and drug abuse and their debilitating effects on society, such as reduced productivity, crime, and accidents. The report states that education, treatment, and early intervention would form the foundation of a solution to the current problem. For example, SOR cited a recent study which found that the costs of drug abuse to law-abiding citizens decrease approximately 20% after one year of treatment (from \$9,190 per drug abuser in the year before treatment

to \$7,379 per drug abuser in the year after treatment).

SOR then examined 65 then-pending Senate and Assembly bills, relating to topics such as perinatal substance abuse, alcohol and drug abuse services, employee drug testing, criminal penalties, and enforcement issues.

SOR also discussed a November 1990 ballot initiative related to alcohol and drug abuse. Proposition 134, the Alcohol Tax Act of 1990, would create a surtax on beer, wine, and liquor, which would be used to fund alcohol and drug prevention services, treatment and recovery services, emergency-medical and trauma-care services, community mental health programs, and enforcement, education, and training programs related to alcohol and drug abuse prevention.

SOR concluded its report with several recommended legislative priorities, such as ensuring the availability of drug treatment on demand; reducing waiting lists for drug treatment services; expanding perinatal substance abuse activities to include in-home services and residential treatment for substance-exposed women and children; implementing treatment and prevention services in prisons; increasing funds to local governments for street-level enforcement of drug laws; and continuing vigorous prosecution for all drug offenses.

Grasping at the Dream—California Housing: Who Can Afford the Price? (June 1990) reveals the startling reality that so-called state low-income housing programs provide funding, tax credits, tax expenditures, and overall preferential treatment to citizens who are least in need of assistance. *Grasping at the Dream* cites a 1990 report issued by the Office of the Legislative Analyst, which stated that the majority of beneficiaries of California Housing Finance Agency (CHFA) housing programs are not low-income households. Instead, 89% of the beneficiaries of CHFA programs are households with incomes in the "above moderate" or "moderate" range; only 11% of beneficiaries are "low" or "very low" income households. (See CRLR Vol. 10, No. 1 (Winter 1990) pp. 43-44 for a summary of the Legislative Analyst's report.)

As SOR's report indicates, the steadily growing disparity between rising housing costs and income levels increases the effect of CHFA's unbalanced allocation and distribution of resources. For instance, SOR reports that the 1970 median home price in California was only 2.3 times the median annual income. By contrast, the 1988 median home price had risen to five times the



median income. Similarly, between 1970 and 1989, the median rent increased by 348%, while household incomes increased by only 247%.

The report also states that many low-income renters pay significantly more than the 25-30% of their incomes which should be allocated to housing. For example, in 1985, 61% of all low-income renter households in Oakland and San Francisco had to devote 70% or more of their income to rent.

SOR identified the following four factors as the major causes contributing to the lack of affordable housing: (1) rapid population growth; (2) loss of continuing federal support for housing; (3) expiration of previously funded federal housing subsidies; and (4) local opposition to the development of low-income housing.

The report also includes a discussion of three relevant initiatives: Proposition 84, which was passed by the California voters on the June 1988 statewide ballot; Proposition 77, which was also approved by the voters on the June 1988 ballot; and Proposition 107, which was passed by voters on the recent June 1990 ballot.

Proposition 84, the California Housing and Homeless Bond Act of 1988, was a \$300 million bond issue aimed at funding rental housing construction, emergency shelters for the homeless, migrant farmworker housing, mortgage assistance for low-income borrowers, special user housing rehabilitation, and a demonstration program in family designed housing. SOR notes that due to the state's slow pace in converting the bond receipts into real allocation and use, only \$55.5 million of the \$300 million has been committed to projects thus far. Of this amount, \$6 million has been allocated to approximately 67 contracts with emergency shelter providers. These funds are designed for the construction, lease, and rehabilitation of shelters for the homeless. Also under Proposition 84, CHFA will administer Home Purchase Assistance funds, which are second mortgages at 3% interest which defer payment until the house is sold, but which must follow CHFA-managed first mortgages.

Proposition 77, authored by Assembly Speaker Willie Brown, provided \$150 million for the rehabilitation of multi-family housing units to meet seismic safety requirements and \$70 million for rehabilitation of single family homes owned by low-income householders.

SOR states that Proposition 107, which provides \$150 million in general obligation bonds, is expected to have a significant effect on low-income housing and homelessness in California due

to the magnitude of the funds provided by the measure. The report opines that Proposition 107 will bolster the supply of different types of low-income housing, including single-room occupancy units and rental housing.

SOR made various recommendations to address the problem of access to housing, including the additional use of state bond funds for low-income housing; a review of existing and new state housing programs to ensure that funds are targeted to those most in need of housing subsidies; research into a more permanent source of funding for low-income housing through the California Housing Trust Fund; and continued efforts to convince the federal government to renew its commitment to low-income housing funding in significant amounts.

Briefing Packet on California State Budget (July 31, 1990). One month into the 1990-91 fiscal year, the Governor signed the 1990 Budget Act; in conjunction with that event, SOR released this report. The legislature delivered to the Governor a balanced budget; the previous \$3.6 billion funding gap was covered by \$821 million in new revenues, an additional \$882 million in capital taken from the reserve (constituting an approximate 21% of the current reserve), and \$2.3 billion in expenditure reductions and delays. This SOR briefing packet highlights the fact the Proposition 98 funding was left fully intact and suffered no expenditure reductions.

The report also describes individual pieces of legislation which comprise the overall compromise budget package, including the following:

-SB 2097 (Maddy), which is projected to save \$23.9 million by changing the Medi-Cal drug prescribing process;

-AB 3573 (Baker), which (among other things) suspends the 1990-91 cost-of-living-adjustments for various health and welfare programs, including the State Supplemental Program for the Aged, Blind, and Disabled, and Aid to Families with Dependent Children, for a total projected savings of \$364.7 million;

-SB 1333 (Dills), which makes optional various state-mandated local programs, and which defers state reimbursement of specified mandated local programs, for a projected savings of \$129.9 million (*see supra* COMMENTARY for related discussion);

-SB 1370 (Green), which repeals continuing state general fund contributions to the State Teachers' Retirement System (STRS) and converts those general fund contributions to an amount equal to 4.3% of the prior year's payroll for all STRS members, for a projected savings of \$477 million;

-SB 1809 (Kopp), which changes the state's contributions to the Public Employees' Retirement System (PERS) from monthly to quarterly, allows the PERS Board to increase the amortization period for the existing unfunded liability, allows the PERS Board to temporarily reduce its reserve against deficiencies, and thus is projected to reduce the general fund contributions by \$172.5 million; and

-AB 274 (Isenberg), which is projected to raise \$561 million in new revenue by making state tax law conform to recent changes in federal tax law.

Briefing Paper: The 1990-91 Budget: After the Blue Pencil (August 16, 1990) concludes SOR's series of information packets on the 1990-91 budget. In this report, SOR analyzes the budget's impact on certain services and discusses some of the options open to the legislature, local governments, and public schools in the areas of mental health, health, child welfare, and education. SOR noted that while several restoration bills (*i.e.*, measures aimed at restoring funding cuts made by the Governor) were then pending in the legislature, SOR did not attempt to include a discussion of these matters in its analysis.

Overall, the Governor made a total blue-pencil cut of over \$1 billion from the \$55 billion spending plan proposed by the legislature, leaving the final 1990-91 state budget at \$54.8 billion. The blue-pencil reductions constitute a 0.85% decrease in the legislative spending plan.

Regarding the education budget, the Governor cut \$331.6 million from the legislature's spending plan, while "setting aside" \$263.9 million. A "set-aside" refers to funds which are not cut from a program, but which are not allocated at the present time. The Governor's actions regarding the education budget include the following:

-the reduction of the cost-of-living-adjustment from 4.76% to 3%, which is projected to save \$245.6 million;

-the deletion of the financial incentive to operate year-round schools, which is projected to save \$43.1 million;

-the reduction or elimination of \$24.2 million in legislative augmentations, including \$10.9 million in school desegregation and \$1.4 million for school drop-out prevention;

-the elimination of driver education programs, which is projected to save \$21.2 million;

-the elimination of the California Assessment Program, which is projected to save \$12.4 million; and

-the reduction of the Department of Education's administrative budget by 10%.



According to the report, Superintendent of Public Instruction Bill Honig estimates that thirty to sixty California school districts will be "on the ropes" with only a 3% cost-of-living-adjustment and may well seek bailout appropriations from the state.

Regarding child welfare and juvenile justice programs, the Governor reduced the general fund budget for child welfare by \$44.6 million and reduced the federal support for child welfare by \$10.2 million. In addition, the Governor eliminated all funding for the Child Abuse Prevention and Training Act, a reduction of slightly more than \$10 million. Also, the Governor reduced the County Justice System Subvention Program by \$33 million, nearly a 50% reduction of its \$67.3 million appropriation.

As a result of these cuts, the County Welfare Directors Association estimates that 600 positions for child welfare caseworkers will be lost statewide. Further, social workers who investigate reports of child abuse or neglect will now have fewer family maintenance resources; and once a child is placed in foster care, there will be fewer resources for family reunification and for permanency planning. Children in foster care will see their caseworker less frequently, have less likelihood of successful reunification with their parents, and stay longer in foster care as they await the permanent solutions of guardianship or adoption.

SOR notes that California's local mental health system has gone without any substantial increase in its budget since 1986. In addition, the 1990-91 budget will reduce the budget for mental health programs by 5.6%. The report states that the Governor's reductions in local assistance for mental health totalled \$73 million, and that similar reductions were not made to state-operated programs such as state hospitals. Specific funding cuts in this area include the following:

- \$2.6 million was reduced from the Children's Mental Health System Program;
- \$4.3 million in local assistance to Institutes of Mental Diseases was cut; and
- \$3.7 million was reduced from the Mental Health Services for Wards and Dependents Program.

The report notes that in most of the state's 58 counties, programs and services will be cut, reduced, or redefined; jobs will be lost; programs will close; and clients will not be served. SOR also states that the Alcohol Tax Initiative (Proposition 134)—if passed by the voters in November—may generate funds which the legislature could appropriate

to local mental health programs. If no additional assistance is provided, the report warns that some counties may call for a state of emergency.

Regarding cuts to health care programs, SOR notes that the most serious change is a \$175 million reduction in the Medically Indigent Services Program (MISP). According to the report, many counties will be forced to reduce services during a period when demand for medical care for uninsured Californians is growing. Further, because of the MISP reductions, county health programs unable to meet Proposition 99's "maintenance of effort" requirement may lose up to \$400 million of Proposition 99 money. Some of the Governor's other blue-pencil actions affecting health programs include the following:

- public health programs, including the Maternal Child Health budget, were reduced by \$3 million;
- a Medi-Cal legislative augmentation for hospital outpatient rates was deleted, for a projected savings of \$9 million;
- a Medi-Cal legislative augmentation for perinatal access was deleted, for a projected savings of \$1 million; and
- a proposed expansion of the Alzheimer's Diagnostic and Treatment Centers was deleted, for a projected savings of \$3 million.

California's Drug-Exposed Babies: Undiscovered, Unreported, Underserved (July 1990) presents data and findings on drug-exposed infants from a 1989 survey of county welfare services agencies in California. According to the state Department of Alcohol and Drug Abuse, 72,000 babies were born in California in 1988 with prenatal exposure to drugs, including alcohol. However, based on the survey results, SOR estimates that only 7,920 drug-exposed newborns were referred to county child welfare services during 1988-89. These figures indicate that only an estimated 11% of the state's drug-exposed newborns are reported to social service agencies. Yet most counties are already having great difficulty finding suitable care for the drug-exposed babies they are trying to serve.

SOR found that testing and reporting procedures for drug-exposed infants are varied and inconsistent throughout the state. Many babies who test positive for drug exposure are not reported to county Children's Protective Services (CPS); other newborns exposed or suspected to be exposed to drugs simply are not tested.

Also, counties reported an overwhelming need for more foster care parents, especially those with training to handle the challenge of drug-exposed

infants, and they urged higher reimbursements for those caregivers.

When asked to identify barriers which hinder placing drug-exposed babies at home, more than half the counties cited an unwillingness by mothers to cooperate with treatment, lack of available drug treatment services, lack of transportation or other supportive services, and housing problems.

The report concludes by identifying various needs which must be met at the community level in order to solve many of the current service gaps affecting drug-exposed babies. These needs include the following:

- sufficient and appropriate rehabilitation programs geared toward women;
- residential treatment programs that allow mothers and babies to remain together during the course of the mother's treatment;
- free and available testing facilities, as well as community education and other preventive services;
- child care and support groups for siblings of drug-exposed infants; and
- sufficient, affordable, and accessible prenatal care for all pregnant women.

